

**House Education Committee - HB73**  
**Superintendent Linda McCulloch's Remarks**  
**February 7, 2003**

For the record, I am Linda McCulloch, Superintendent of Public Instruction. Thank you to Representative Holly Raser for sponsoring HB 73, which is requested by the Office of Public Instruction. This bill represents the consensus of many educational partners committed to ensuring quality K-12 public education in Montana.

The school funding proposals that I have requested this legislative session address the challenges that schools face and are designed to:

- ☐ Support schools so that all students can achieve high standards
- ☐ Recruit and retain a high quality teaching staff
- ☐ Assess and communicate the quality and achievements of K-12 education
- ☐ Support accountability and improvement in all Montana schools

The legislation that you have before you today focuses on supporting Montana schools so that all students can achieve high standards – that is, be successful.

House Bill 73 is simple. It proposes to increase K-12 BASE Aid by 3.7% in FY04 and 3.2% in FY05.

As you know, these entitlements are the building blocks of a school district's general fund budget. They determine the level of state support for schools and the limitations of a school district's general fund budget. The two entitlements are:

1. The basic entitlement is a fixed amount for each elementary district and each high school district.
2. The per-ANB entitlement is a per-student entitlement. The average number belonging is a student count used for funding purposes and is based on the school district's enrollment in the previous school year.

House Bill 73 addresses **two** important funding challenges that schools face:

- 1. Inflation in the cost of providing educational services**
- 2. Fewer students over which to spread the fixed costs**

It is important to recognize that our existing school funding formula does not receive a present law adjustment to account for inflation each biennium or include a "pay plan" increase in the same way that it does for state government. The current system presumes that schools can continue to provide the current level of educational services with no adjustment for inflation.

Because education is labor-intensive – salaries represent almost 70% of the school district's expenditures – House Bill 73 was developed using an inflation index tied to the labor market. According to an economic forecasting service used by the Legislature, (Global Insights), the Employment Cost Index for compensation is projected to increase by 3.7 percent in 2002 and 3.2 percent annually in 2003, 2004 and 2005. House Bill 73 school entitlements are based on these inflation indexes, 3.7% in FY04 and 3.2% in FY05.

In the next two years we are projecting that student enrollment, and thus the ANB count, will drop by approximately 4,900 students. That's a 3.3 percent drop in two years. As enrollment declines, state support for schools automatically falls unless the entitlements are increased.

School costs do not decline in proportion to the declining student enrollment. We need to plan for school costs that are stable or increase, such as the cost of classroom materials, utilities, and building operations and teacher pay raises. Declining school enrollment results in fewer students over which to spread the costs.

The Legislative Fiscal Division estimates in the 2005 biennium that the state savings from declining enrollment will total \$15.1 million. House Bill 73 proposes to restore the \$15 million savings to schools and add \$35 million of new state aid.

Today you will hear testimony about the difficult choices that schools must make to respond to enrollment declines, budget cutbacks, and inflation in the cost of school services. Schools large and small, east and west, rural or urban face these challenges.

**Unless we provide a significant increase in the school funding entitlements, we will be unable to prevent further erosion in our K-12 educational programs.** For several years falling enrollments have forced the districts to reduce budgets, eliminate programs and services, and terminate staff. Yet, the public expects schools to preserve quality educational programs, meet state standards for course offerings and class size, and to provide diverse academic and extracurricular programs.

**Unless we provide a significant increase in the school funding entitlements, we will be unable to prevent the state and local aid for schools from tipping further in the direction of burdening local property taxpayers.**

Since my time as a legislator, it has also been one of my goals to reduce local property tax burdens for support of schools. **If you look at the chart that I have handed out,** you will see how the burden for funding schools has shifted from state sources to local property taxes over the past decade. In 1991, state support for schools represented over 71% of the general fund revenues. For the current school year, the state share has fallen to under 61%.

We in the education community are extremely grateful to the taxpayers of Montana for the support that they have shown for our public schools. Many communities across Montana consistently vote to increase their tax burdens in order to maintain quality public school programs and staff.

In closing, I want to acknowledge the seriousness of our state budgetary problems. I understand that school funding increases will not happen without an increase in state revenues. I have advocated this session for tourists visiting Montana to pay their fair share for upkeep to our state, through a car rental tax and increase in the bed tax. In addition, I've supported other tax increases, such as tobacco, to help prevent the dismantling of our public school system. We must identify new revenues because we cannot afford to **not** invest in our educational system.

Educating our children is the best investment we can make in Montana. Please give our schools the tools that our educators need to engage our students in learning, to prepare the workforce of tomorrow, and to continue our proud Montana tradition of quality education.

Thank you for your time and interest in public education and Montana's 150,000 school kids.